Helping Our Customers Achieve Success

Sharing Information Through Business Applications

Implementing Web-enabled technology is a major driver of e-government. The development of business applications that can share knowledge bases across parent agencies and between other federal agencies can dramatically improve both operations and overall service delivery to the American citizen.

Sharing Healthcare Data

The Austin Automation Center (AAC) supports VHA in the coordination of improved healthcare information with DOD programs and systems with its network connectivity and security scanning for the **Federal Health Information Exchange (FHIE)** system, a data repository for health information (laboratory results, radiology reports, outpatient prescription data, and selected demographic information) from DOD. A **Virtual Private Network (VPN)** between VA and DOD provides an interface for the VHA Consolidated Mail Outpatient Pharmacy (CMOP) at Leavenworth, Kansas, to accept prescription data from three medical treatment facilities (MTF) to process and mail prescriptions and return release data to DOD. In addition, the VPN allows DOD medical personnel to order laboratory tests and results from 128 VA medical centers.

To protect data, firewall protection was enhanced to isolate important network segments and provide more control over data access.

Accessing e-Military Records

The AAC Web-enabled the mainframe **Military Personnel Records (MPR)** application for NARA. This application provides NARA customers Internet access to their military personnel records. In addition, a **Medical Records Registry System (MRS)** was developed which indexes military medical treatment records that are retired to the National Personnel Records Center (NPRC) in St. Louis, Missouri. Authorized personnel can also use the Internet to request medical records of military personnel, their spouses, children and other military dependents.

Sharing Health Eligibility Information

The AAC is actively participating in a project that will result in the sharing of information between VBA and VHA databases. The AAC will serve as the data broker and delivery coordinator of the shared information. This sharing of military service history, benefits claims information, and disability claims information is extremely important to the **Health Eligibility Center (HEC)**, the organization that establishes patient eligibility for VA health benefits, and the **Health Administration Center (HAC)**, the organization that administers VA's healthcare benefits to veterans' survivors and/or dependents.

Accessing e-Medical Registries

In 2001, the General Accounting Office (GAO) and Congressional subcommittees became interested in the number of veterans with specific clinical cases, the care they receive, as well as any other available information regarding veterans with specific illnesses. The **Clinical Case Registry (CCR)** is one of many registries developed to aid in reporting on these clinical cases. The first registry included in the CCR was the **Hepatitis C (Hep C) Registry**. The Hep C Registry contains all pertinent medical information on veterans who have tested positive for the Hep C virus. The Hep C Registry was created in partnership with the AAC, VHA, and Oracle Consulting. This registry provides a database of information spanning the past 6 years and is used to store and report information from the VHA medical system. As a result of customer satisfaction with the Hep C project, the interface will be expanded to include the **Immunological Case Registry (ICR)**. In FY 2003, the ICR will be added to the CCR. The ICR contains all pertinent medical information, spanning the past 12 years, on veterans who have been tested for the HIV virus. The interface will be expanded to accept records from 128 VA medical centers, the National Patient Care Database, and the Patient Treatment File System for storage and reporting through Oracle Enterprise System Tools.

Numerous other medical registries, such as Agent Orange (AO), Persian Gulf War (PGW), and Ionizing/Radiation (I/R), are being converted from batch to Web-enabled processes. AO became the pilot project and has been deployed to all VA medical centers. PGW is under development and I/R will follow in FY 2003. There are several advantages of Web-enabled processing including online editing, elimination of user coding errors with on-screen edits, overnight processing submissions, Intranet firewall protection, and next-day access to reports. These advantages provide medical facilities with more control over processes.

Redesigning WC/OSH MIS

The **Workers' Compensation/Occupational Safety Health Management Information System (WC/OSH MIS)** is used by VA, GSA, NASA, the Department of Justice, Department of State, and Army Medical Command (Medcom) to manage workers' compensation and safety programs. A major redesign was completed to reduce individual agency customization previously required. This system can now be installed for new customers without the delays associated with program processing changes and COBOL batch creation. The system redesign eliminated 95 percent of COBOL batch processing with Oracle scripts. This virtually eliminated the mainframe processing time associated with COBOL batch processing. The number of files held in the direct access storage device (DASD) is being reduced by three-fourths for all WC/OSH MIS customers.

Automating Orders

The AAC continues to work with the Veterans Canteen Service (VCS) to enhance their **Purchase Order Management System (POMS)**, a nationwide Web-based system developed by the AAC to automate the ordering, receiving, and inventory tracking system for 172 canteens at VA medical centers across the country and VA Central Office in Washington, DC. The most recent major improvement was the implementation of the hand-held scanner that provides canteens with the capability to perform onsite verification of quantities on hand. POMS can now read the scanner data, calculate order points using sales history, and generate purchase orders automatically. An Intranet online shopping catalog was also created so customers can browse the catalog prior to making their purchase. An upgrade is planned to allow purchases online by credit card for employees, patients, and patients' families.

Helping Our Customers Achieve Success

Responding to Heightened Building and Network Security

The events of September 11, 2001, caused us to rethink our existing strategies for increasing building security, conducting background investigations, training law enforcement personnel, and securing networks.

Increasing Building Security

The Security and Investigations Center (SIC) identification (ID) card services, in combination with background investigations, provide VA with the maximum possible security and safety. The upgrade in the **Homeland Security Advisory System Alert** level required federal agencies to carefully screen the ID badges of employees and contractors entering government buildings. This screening revealed that several employee badges were outdated and required renewal. The SIC's state-of-the-art technology met the increased demand. In FY 2002, the SIC processed 3,027 ID badges.
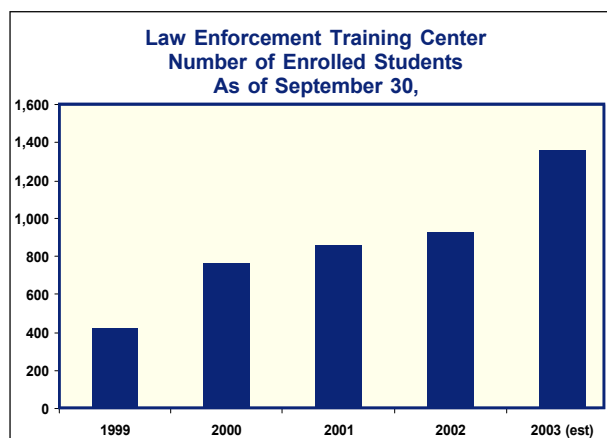
Conducting Background Investigations

The critical elements of ensuring a secure work environment has led to an increased number of government employees and contractors subject to background investigations and clearances. The SIC worked closely with VA staff and regional offices, as well as the Law Enforcement Training Center (LETC), to ensure all individuals subject to a background investigation received expeditious processing. As a result, 853 investigations were conducted, as compared to 700 and 750 that were processed for FY 2000 and FY 2001, respectively.

In addition, due to the **Export/Import (EXIM) Bank's** expedited background investigation requirements after September 11th, we designated a special day exclusively for processing EXIM Bank employees' fingerprints, which allowed them to meet their weekly Office of Personnel Management (OPM) submission requirements.

Training Law Enforcement Personnel

The LETC puts a premium on teaching the federal law enforcement community an alternative to the traditional law enforcement approach. It places emphasis on customer/patient safety in all interactions and uses aggressive action only as a last resort. Our curriculum can be customized to meet the unique needs of any agency; therefore, it is well-suited for parks, museums, and other healthcare facilities. As the federal government's sole provider of law enforcement training, with an emphasis on assaultive-patient situations, we train for today's problems with the latest in tactics and cutting-edge technology.

The LETC played a vital role in helping VHA, the Indian Health Service, DOD Tripler Army Medical Center, Walter Reed Army Medical Center, National Guard, National Museum of Art and Washington Navy Yard meet their specific training needs. In FY 2002, 98 percent of the enrolled students graduated from the training program. Enrollment dramatically increased from 421 students in FY 1999 to 924 in FY 2002, and 1,367 are expected to enroll in 2003.

**Law Enforcement Training Center
Number of Enrolled Students
As of September 30,**

Year	Students
1999	~420
2000	~760
2001	~850
2002	~920
2003 (est)	~1,360

In light of the heightened security, material was incorporated in the training curriculum to increase the ability of police officers to react in emergency situations; the firearms training program was accelerated and the law enforcement community at 45 VA facilities was successfully trained; additional police officers were added to VA facilities to enhance safety and security; and our training facility was expanded to include a state-of-the-art indoor firing range.

Ensuring Network Security and Availability

The AAC, like other organizations, is quickly shifting to underscore the importance of security. To ensure the security and availability of networks and systems, additional measures were taken in FY 2002 to enhance both data and physical security.

Full access to the computer operating system at the system startup level was restricted to very specific support personnel to improve the integrity level of critical data.

During our annual live test of the Business Continuity Plan (BCP) disaster recovery procedures, the AAC invited employees from the VBA information technology centers in Philadelphia, Pennsylvania, and Hines, Illinois, to participate. Using the AAC's recovery procedures, staff from the three centers successfully restored all applications identified for testing within required timeframes. Live testing validates our ability to successfully reestablish systems and applications at a remote location should a disruption of service or catastrophic event occur.

The AAC obtained a new circuit rerouting service to enhance disaster recovery services. The circuit rerouting plan is designed to handle catastrophic events or customer-specific events such as power outages, system failures, or fires.

In addition, investments were made in additional intrusion detection sensors and other IT security tools and automated security checks to ensure servers are securely configured, and in the career development of our certified security staff. Two of the AAC's security specialists achieved the Certified Information System Security Professional (CISSP) certification, and another successfully completed the LETC training program.

The FSC has completed its Continuity of Operations (COOP) plan focusing on the people and processes necessary for sustained operations during natural or man-made disasters that may disrupt normal business activity. This new, comprehensive plan provides for activating alternative locations should the main facility in Austin, TX, be compromised. The COOP plan will be kept current through updates and regular testing. Hence, services and operations will be restored with minimal impact to our customers.

The FSC operates under a constant state of readiness in dealing with data network threats. With new intrusion detection systems and monitoring software in place, we are prepared to identify and successfully respond to incidents. As a direct result of this information security posture, downtime due to viruses, intrusions, or attacks was avoided during this past year.

Helping Our Customers Achieve Success

Keeping Federal Records Safe and Secure

With nearly one million square feet of undeveloped space available for future expansion, our facility will be able to accommodate new customer business.

Expanding Record Holdings

The VA Records Center and Vault (VA RC&V) has been providing records management and storage services to VA for many years in its secure, climate-controlled facility staffed by experienced archive technicians. The VA RC&V has successfully expanded its customer base to the Defense Finance and Accounting Service, Defense Technical Information Center, Department of Energy, and Postal Rate Commission.

Transfer of VHA Medical Records

With the successful expansion of our facility in November 2001, VHA now has the opportunity to store their long-term records (primarily medical records) in one centralized location. These records were formerly stored at 14 NARA regional records centers across the Nation. This initiative not only offers VHA the benefits of long-term dollar savings, it simplifies the process of recalling records for VHA facilities.

In addition to tranfering VHA's records from NARA, the VA RC&V also began accepting new VHA accessions in FY 2002. With the new accessions, VHA record holdings totaled 243,180 cubic feet at the end of FY 2002. The VA RC&V is able to handle this continued expansion with no impact to the services provided to other customers.

"Staff at the Records Center has provided excellent service during this transition, coordinating transfer activities with Directors of NARA facilities and ensuring that the records received are in good physical condition before they are inventoried, labeled, and shelved. There has been no disruption in service provided to VHA facilities; records recalled that are in transit are quickly processed and returned to the requesting VHA facility. The Records Management staff in VHA is impressed with the staff and facility at the Records Center and anticipates successful completion of the transfer project and continued excellent service."

Louise Papile
Veterans Health Administration
VA Central Office

Certified Federal Storage Facility

Our facility is the **first** among its public and private sector competitors to be **compliant with the stringent new NARA regulations governing records storage facilities**. The VA RC&V records center is protected by a sophisticated security system, and access to the storage area is strictly controlled. A redundant power generator system serves all access control systems, fire systems, communication systems, and alarm systems.

There is no restriction on the type of records stored, the length of time they can be stored, or shipping volume limitations. Currently, records storage, protection and retrieval services are provided for vital records, records frozen in litigation, unscheduled records, financial systems backups, cyclic backups and contingency plan backups and tests.

The expansion of the VA RC&V records storage facility was completed in November 2001. Following NARA certification, the transfer of approximately 900,000 records from NARA facilities to the VA RC&V began in May 2002. At the close of FY 2002, a total of 243,180 VHA records were stored at the VA RC&V. Of those, 205,774 were moved from NARA facilities; the remaining 37,406 were new VHA accessions received from VA medical centers across the country. By the close of FY 2003, the total VHA holdings are anticipated to exceed one million cubic feet of records. Growth in FY 2004 will primarily result from new accessions directly from VHA facilities, estimated at 50,000 cubic feet per year.

Records Storage Growth (# Cubic Feet)
VA Customers
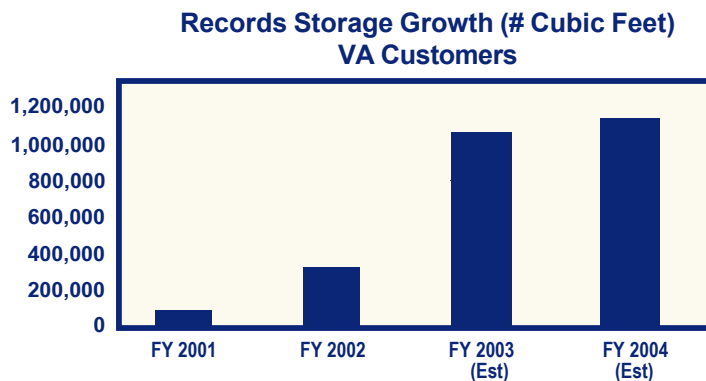
The volume of records stored for other government agency (OGA) customers fluctuate based on their records retention requirements. During FY 2002, there was a decrease in total OGA holdings due to the recall of older records in order to destroy them as required by defined retention requirements. Estimated holdings for FY 2003 and FY 2004 are based upon anticipated OGA record shipments.

Records Storage Growth (# Cubic Feet)
OGA Customers
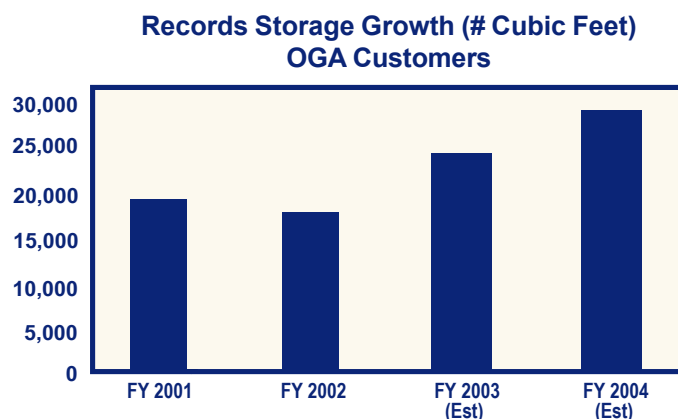
In addition, we have been contacted by several OGAs as potential customers. With over a million square feet of undeveloped space available for future expansion, the VA RC&V will continue to build out additional space to accommodate our customers' storage requirements.

Helping Our Customers Achieve Success

Moving to Automated Payments

The Government is moving to increase access to benefits and information electronically in an effort to eliminate paper. Both initiatives impact how we make payment to vendors and employees, as well as perform payment-processing functions. Our vision is to eliminate paperwork and manual tasks by moving into the electronic transmission of information, forms and documents.

Centralizing Payments

Centralizing all vendor payments at the FSC will provide significant benefits and cost reductions for VA, while strengthening internal controls and standardizing processes. Our highly automated systems include the Online Certification System (OLCS), the Document Management System (DMS), and Computer Assisted Payments Processing System (CAPPS).

As a result of implementing OLCS in FY 2002, VISN 22 (Southern California Healthcare System) and VA Central Office in Washington, DC, experienced impressive results in the area of interest penalty payments—reductions in interest penalties of 60 percent and 77 percent, respectively.

"We at VISN 22 believe the [vendor payment] team concept has been a resounding success and has been instrumental in expeditiously solving our problems. The value of calling that one number and speaking to a friend who knows our sometime unique situation and using them as our liaison through FSC cannot be overstated."

George Cude
VISN 22 Network Business Center

Automating Loan Processing

The National Finance Center (NFC) tracks and reports on Thrift Savings Plan (TSP) activity for each participating federal employee (active and retired). The NFC depends on data from the FSC to update TSP information, including loan activity, for all VA employees. Based on a new process implemented by the FSC, loan processing information can now flow electronically between VA and the NFC without human intervention. The FSC estimates that this new process saves almost half of a full-time equivalent employee.

Migrating Online Transaction Processing

The AAC completed the migration of the VBA online transaction processing (OLTP) environments to a Sun Microsystems E10000 environment. OLTP is a system in which the computer responds immediately to user requests interactively. This is the opposite of the older batch processing systems where requests are stored and then executed all at one time without user intervention. The platform rehosting was successfully accomplished without any disruption in business operations to VBA or impact on their current applications. The new platform provides a scalable platform (both in terms of performance and online storage), provides significant software licensing savings, and operates on a less expensive hardware environment. This migration enabled VBA to use the AAC's facilities and support capabilities to leverage their current investment in mirrored Redundant Array of Independent Disks (RAID) technology.

Partnering with Treasury Using COMBO II

The FSC assisted Treasury in driving their labor costs down by partnering with them on COMBO II. This initiative enables Treasury to electronically associate the check and the Explanation of Benefits (EOB), ensuring that the computer system alerts their employees when errors occur. Treasury has been able to eliminate a significant portion of their manual envelope-stuffing effort and associated labor costs, dramatically decreasing costs by over $70,000 per year.

Managing Documents and Records

The **Division of Immigration Health Services (DIHS)** signed a franchise agreement with the FSC to establish a fully integrated, end-to-end medical claims processing application. This application will process medical claims from receipt of the claims documents through disbursement by Treasury to the healthcare provider. By leveraging our enhanced imaging capabilities, a robust healthcare claims adjudication and payment processing system, and a specialized accounting and financial reporting tool, the DIHS will streamline their existing processes and achieve significant economies of scale by reducing costs.

Electronic Data Interchange (EDI)

A variety of VA programs have been streamlined by moving operations from a paper-based system to EDI/electronic funds transfer (EFT). Of the 5.1 million total payments made to vendors in FY 2002, 3.3 million were processed by EFT. Payments totaled $9.7 billion, of which $6.5 billion were made by EFT.

By using the FSC's EDI capabilities, VA's Denver Distribution Center (DDC) processes electronic invoices without manual intervention. By doing so, the DDC was able to achieve timesavings and labor hour savings, and ensure greater accuracy for these transactions. VBA also took advantage of the FSC's EDI resources to implement an e-Loan Guaranty Certificate which gives loan providers the capability of processing applications in 2 days instead of the 30 days involved with the manual process.

The FSC continues to assist VHA in their efforts to comply with the **Health Insurance Portability and Accountability Act (HIPAA)**. It requires the use of EDI formats when transmitting specific healthcare billing and payment data between medical centers, vendors, and insurance companies. New EDI projects are also underway. The estimated number of annual electronic claims, once VA reaches full production in 2004, is listed below:

EDI Projects	Estimated Number of Electronic Claims
Third Party Claims	10,000,000
Medical Remittance Advice	7,000,000
Lockbox	18,000,000
Insurance ID & Verification	4,000,000
Pharmacy	10,000,000

Helping Our Customers Achieve Success

Moving to Automated Payments

The Government is moving to increase access to benefits and information electronically in an effort to eliminate paper. Both initiatives impact how we make payment to vendors and employees, as well as perform payment-processing functions. Our vision is to eliminate paperwork and manual tasks by moving into the electronic transmission of information, forms and documents.

Highlighting Audit Recovery Efforts

The FSC is recognized as a **leader in audit recovery in the federal government**. Proactive in identifying overpayments and initiating collection actions, our successful audit recovery program consolidates the identification of overpayments made by VA field stations. This effort reduces the administrative costs of collection for all VA facilities and fulfills the requirements of the **National Defense Authorization Act (NDAA) of FY 2002**, which states that agencies with $500 million in annual procurements must conduct recovery audits focused on overpayments. We monitor payments on a daily basis; this includes a review of all potential duplicate payments, vendor statements, and high dollar payments, thus allowing the cancellation of duplicate payments for VA field stations prior to payment by Treasury. This avoids sending collection bills to vendors and saves additional administrative time and effort for personnel at all VA facilities while ensuring money remains in VA accounts.

The FSC identified over $1.4 million in unapplied credits and $2.2 million in duplicate payments. This resulted in $2.2 million in collections.

"Thank you for the good work and the fair treatment. Seriously, the successful collection of the old accounts prior to year-end is meritorious and we do appreciate your effort. All of VA, rather than just the Supply Fund, should appreciate your efforts. You are identifying potential and real overpayments earlier and earlier and, as you have identified the cause of such, VA program offices are appropriately correcting what were previously bad practices."

C. Dale Duvall, Chief Financial Officer
Office of Acquisition and Materiel Management

Our audit recovery work was highlighted in an article featured in the **Government Executive May 2002, Special Issue: Grading Government,** which states, "Consider hiring a recovery-auditing firm, or establishing an in-house recovery auditing team, to review disbursements for accuracy. The Veterans Affairs Financial Services Center in Austin, Texas, uses recovery auditing to identify duplicate payments and overpayments. The center used to contract out the recovery auditing work, but it now has a small finance staff dedicated to performing the audit."

Processing Permanent Change of Station (PCS) Travel

The FSC has in-depth knowledge of Federal Travel Regulations and Comptroller General and GSA decisions which allows us to solve many of our customers' unique travel problems. We processed PCS travel authorities for the U.S. Naval Home, Office of Federal Housing Enterprise Oversight, Department of the Interior, and VA Office of the Inspector General, in addition to serving as VA's Household Goods Field Representative. In FY 2002, we processed over 13,791 PCS transactions and facilitated over 668 PCS moves.

Processing Temporary Duty (TDY) Travel

We have experience with two commercial off-the-shelf (COTS) software packages (Gelco Travel Manager and Per Diemazing) for TDY travel. Both systems reduce the paper and labor-intensive processing required in a manual environment. In addition, we audited a statistical sample of 2,366 TDY travel vouchers for compliance with travel regulations and GSA decisions, and audited the issuance of prompt reimbursements to travelers to ensure the quality and timeliness of service.

The FSC has been heavily involved with OMB's e-Travel pilot project. This pilot is testing the ability of a COTS-based product to provide electronic tickets, electronic authorizations and vouchers, and direct reimbursements to both the traveler and the credit card vendor. Ultimately, the processing of TDY travel documents for all VA customers will migrate to a COTS application and be centralized at the FSC.

Processing VA's Payroll

FY 2002 marked another successful year of processing VA's nationwide payroll without missing a payroll cycle. Approximately 225,000 employees were paid gross salary payments of over $3.85 billion. Payroll processing typically includes receiving time and attendance data, processing payroll runs, and producing W-2 statements and other required reports. The FSC also coordinates with taxing authorities at the federal, state and local levels to pay, report, and reconcile payroll taxes.

Using the primary measures of employees paid on time, paid correctly, and the availability of timely and accurate payroll data, our system has been virtually perfect.

> *"Payroll processing service provided to VHA by the FSC is exemplary. In 37 years of processing VHA payroll using the Electronic Time and Attendance (ETA) and Personnel and Accounting Integrated Data (PAID) Systems, the FSC and the PAID system have maintained a perfect record without a single incident of non-compliance. The VA payroll system remains current with the necessary programming changes needed to implement all new legislative requirements and procedures as they become effective. In addition to making the necessary changes to the payroll system, the FSC has always communicated all changes and new procedures to the Department's payroll staff and VA employees immediately. The FSC's ability to make timely system upgrades and provide effective communication has consistently resulted in a transparent but efficient evolutionary process for the system."*
>
> David Rutledge
> Assistant Chief Financial Officer for Financial Management and Budget
> Veterans Health Administration

Placing Micropurchases on the Credit Card

VA placed over 98.4 percent of its micropurchases (purchases under $2,500) on credit cards in FY 2002. The success of VA's Purchase Card Program is due primarily to the FSC's Credit Card System (CCS). The CCS offers electronic reconciliation and frees up customer resources by reducing interactions to merely verifying items ordered and prices paid.

Utilizing the same-day electronic business cycle for pharmaceutical purchases, we ensure VA, the DIHS, and Indian Health Service receive the best price through VA's multi-billion dollar Prime Vendor Procurement Program. This program also provides an efficient way to purchase pharmaceuticals at low, negotiated contract prices. These vendors guarantee delivery of their products within 24 hours, 90 percent of the time, eliminating the need for warehousing large volumes of supplies. Our daily payment process of 2.6 million transactions in FY 2002 resulted in rebates totaling $15.9 million (an increase of $7 million over last year).

Helping Our Customers Achieve Success

Maximizing Our Collection Activities

As a leader in the federal debt management community and a complete accounts receivable resource, we negotiate repayment plans, administer automated recovery programs, make cold calls to debtors, oversee the entire collection process and employ every collection tool (referrals to locator services, private collection agencies, and computer matching) available to federal agencies.
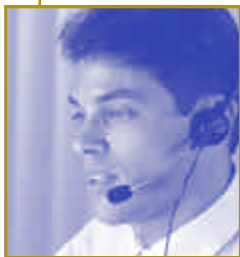
Effectively Collecting Debts

The DMC's toll-free telephone service helps improve collection rates, as well as simplifies the collection process for debtors. This year alone we responded to over 268,000 calls, with a lost call rate of 2.1 percent.

We collected $1,788,714 in FY 2002 through acceptance of major credit cards (MasterCard, VISA, American Express, and Discover) over the telephone. This is the most we collected since the inception of the credit card acceptance program in 1993. This collection activity represents a 38 percent increase over FY 2001. Credit card acceptance has proven to be convenient for many debtors who owe smaller amounts, especially for education allowance overpayments.

Cross-Servicing Referrals and Treasury Offset Program (TOP)

Treasury continues to push for compliance on collection initiatives authorized by the Debt Collection Improvement Act of 1996. The two largest initiatives involve referral of delinquent debts to TOP for offset against federal payments and the referral of debts over 180 days delinquent for cross-servicing. We automated our referral processes and are over 95 percent compliant for referrals to both programs. In FY 2002, TOP netted VA $49.7 million in offsets, and Treasury's cross-servicing program collected $10.8 million on VA debts.

Computer-Matching

DOD provides matching services under the Federal Salary Offset program. Their matching file includes all civilian employees of DOD, active and retired military members and the majority of all other active civilian employees in the federal government with the exception of United States Postal Service (USPS) employees. OPM provides its enrollment file to DOD for matching purposes. The matching program identifies debtors who receive federal salaries, and we notify them of their hearing rights prior to offset of their salaries. In FY 2002, $3.5 million in collections was attributed to this matching program. The USPS program is conducted similarly, but is restricted to active USPS employees. Collections attributable to this matching program ($230,000 in FY 2002) have not been significant in recent years, but the low cost of administering the program justifies continued matching.

Taxpayer addresses are acquired from the IRS on a monthly basis under the Taxpayer Address Request (TAR) program. Each year we collect appropriately $1 million from debtors whose address of record was obtained under the TAR program.

Increasing Administrative Offsets on First Party Medical Debts
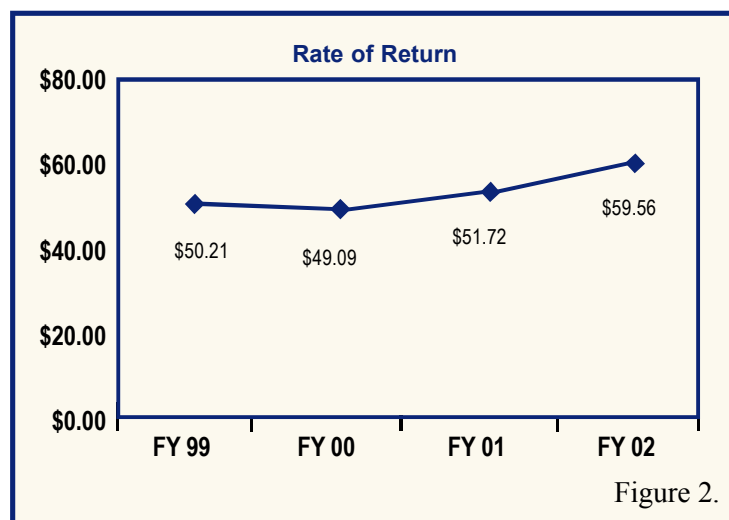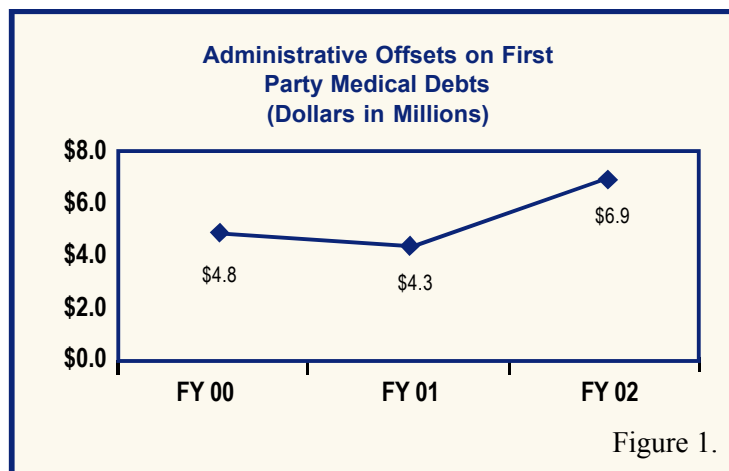
We compare delinquent first party medical debts against VBA's compensation/pension payment file on a monthly basis to determine if benefits exist that can be offset to liquidate a debt. In FY 2002, we increased the number of offsets by 38 percent and the dollars offset by 61 percent over FY 2001. The number of offsets increased from 77,358 in FY 2001 to 106,924 in FY 2002.

Increasing Administrative Offsets on First Party Medical Debts

The dollars offset also increased from $4.3 million in FY 2001 to $6.9 million in FY 2002. The increase in offsets is due to a higher number of delinquent debts being matched against active benefits. Figure 1 shows a comparison of offsets for the last 3 fiscal years.

Increasing Collections/Offset and Rate of Return

We increased collections/offsets by $41 million or 13 percent over FY 2001 totals. Collections/offsets for FY 2002 totaled $353 million versus $312 million for FY 2001. One of the factors we use to measure our success is our rate of return (determined by dividing collections/offsets by operating expenses). In Figure 2, we estimated our rate of return in FY 2002 was $59.56 for every dollar spent. This represents a 15 percent increase over the FY 2001 rate of return ($51.72).

Administrative Offsets on First Party Medical Debts (Dollars in Millions)

	FY 00	FY 01	FY 02
	$4.8	$4.3	$6.9

Figure 1.

Rate of Return

|	FY 99	FY 00	FY 01	FY 02
	$50.21	$49.09	$51.72	$59.56

Figure 2.

Helping Our Customers Achieve Success

Maximizing Our Collection Activities

As a leader in the federal debt management community and a complete accounts receivable resource, we negotiate repayment plans, administer automated recovery programs, make cold calls to debtors, oversee the entire collection process and employ every collection tool (referrals to locator services, private collection agencies, and computer matching) available to federal agencies.

Increasing TOP Offsets

The DMC continued to experience increases in TOP offsets during FY 2002. This trend follows a significant increase in offsets in FY 2001 when we began making weekly rather than annual referrals to Treasury. We automated the referral process to ensure that accounts are referred when eligible.

Offsets	FY 98	FY 99	FY 00	FY 01	FY 02
Medical Billings	$4,394,516	$6,333,622	$5,844,221	$23,346,003	$31,206,254
Benefit Debts	$7,826,005	$9,470,250	$10,959,761	$14,205,419	$18,528,350
Totals	$12,220,521	$15,803,872	$16,803,982	$37,551,422	$49,734,604

**Top Offset Program
Dollars Collected**
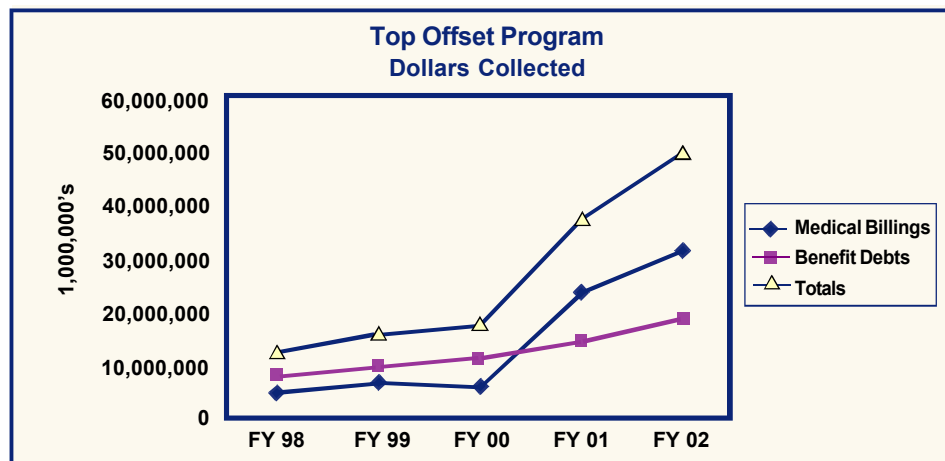
Spearheading a Pilot to Collect First Party Medical Debts

In June 2002, we initiated a pilot test for collecting first party medical debts. The test involved generating collection notices on debts that remained unpaid after three billing notices were issued over a 90-day timeframe. We issued collection letters on 42,897 accounts valued at $11,173,040 from three Veterans Integrated Service Networks (VISNs). At the end of the pilot in September 2002, the number of delinquent accounts had been reduced from 42,897 to 34,669. The dollar value of the accounts was reduced from $11,173,040 to $9,322,706. Reductions were attributable to cash collections through the DMC, cash paid directly to VA medical centers, TOP offsets ($266,186), actions taken by VA medical centers to delete or reduce erroneous billings, and insurance companies paying on claims. Additional collection efforts could prove to be a valuable tool for VHA since they have no follow-up collection action on these accounts other than referral to TOP.

Referring Diagnosis-related Group Recovery Debts

The DMC worked closely with the HAC to refer debts found in the Diagnosis-related Group Recovery Audit to the TOP. They made their first referral of such debts to TOP in April 2002. Since that time, the HAC has decided to refer other eligible accounts to TOP using our referral process. Collections for April through September 2002 totaled $516,196.

Achieving a Clean Opinion

Through the expertise of a quality workforce, attention to financial requirements, and system capabilities, the FSC worked closely with auditors of both the Department's financial statements (Deloitte and Touche) and VA Franchise Fund's financial statements (Brown & Company, CPAs). VA attained its fourth consecutive unqualified "clean" audit opinion, and the VA Franchise Fund its fifth consecutive unqualified "clean" audit opinion.

Supporting the Core Financial and Logistics System (CoreFLS)

The AAC is the national platform site for CoreFLS, the planned replacement of VA's financial management and logistics systems. In support of this development effort, the AAC provides access to the open systems processing platforms, DASD, adhoc and professional services, and systems and database administration for the platforms.

The FSC provides accounting experts as consultants in support of the CoreFLS project development and deployment initiatives. Subject matter experts serve on CoreFLS functional configuration groups and participate in the configuration, tests and conversions of proposed vendorizing files, agency financial reports, closing functions, standard general ledger balances, appropriations and funds, budget/accounting code structure, accounts payable and receivable processes, interfaces, travel processes, purchasing, conversion strategies, and deployment.

Additionally, the FSC provides common administrative support services such as financial reports and accounting; certified invoices and matched payments processing; payroll operations, systems operations, and maintenance; PCS travel processing; and financial systems oversight to the CoreFLS Project Office.

Financial Consulting

The FSC provided the Internal Revenue Service (IRS) with expert consulting services on the general ledger, accounts receivable/accounts payable, and Statement of Transactions Report (SF-224) process in support of the IRS' accounting system replacement project.

Training

VA looks to the FSC for training on how to fully utilize the Financial Management System (FMS) —VA's current core accounting system—and to perform financial reconciliations. While the FSC primarily trains VA customers, course offerings are also available to other federal agencies. Courses include the entire Microsoft suite of applications, Making FMS Work for You, Agent Cashier, Construction Accounting, Keys to Standard General Ledger, and Fixed Assets. Customized courses are also provided upon request.